

CONSUMER MOOD BOTTOMS OUT IN UKRAINE

Press release

Results of consumer confidence survey in Ukraine, a joint project between GfK Ukraine and the International Centre for Policy Studies

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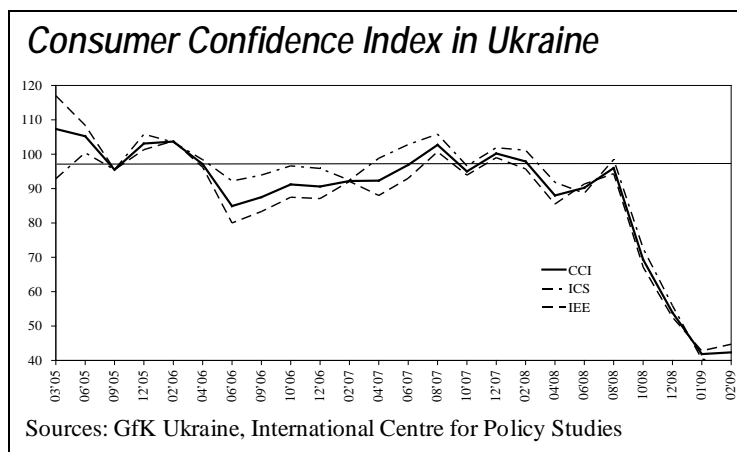
In February 2009, consumer confidence stopped the tailspin that it had been in since September 2008. During these five months, the Consumer Confidence Index (CCI) fell by more than half, from a nearly neutral rating of 96.0 in May 2008 to 41.8 in January 2009. Moreover, at the end of Winter 2009, the consumer mood appeared to have improved marginally, rising 0.5pp to 42.3. This shift in the consumer mood among Ukrainians was related to a slight stabilization in the economic situation, especially on the currency and labor markets.

When this inching up of the CCI in February 2009 is looked at in the context of its main components, then it becomes clear that the rise was due to an improvement in economic expectations among consumers, despite their generally worse estimation of their current financial standing. Thus, the Index of Economic Expectations (IEE) grew 1.9pp to 44.7. At the same time, the Index of the Current Situation (ICS) slipped another 1.6pp to reach a new low of 38.8. The dynamic of CCI components shows that the current state of Ukraine's consumers is still assessed extremely gloomily, although their economic expectations are already beginning to brighten.

In effect, all the improvements in the consumer mood among Ukrainians seen at the end of Winter 2009 have been spurred by growth in the index of expectations of changes in personal material standing (x2), which grew an impressive 9.9pp to 48.7. All other indices that form the CCI continued to go down in February. Interestingly, the most significant decline was in short-term economic expectations among Ukrainians. This index (x3) shrank a further 2.8pp to its absolute lowest, 29.9. This means that, while Ukrainians expect the overall economic situation to continue to get worse for the next year, they also expect some improvement in their personal material standing.

Since the beginning of 2009, Ukraine has continued to experience a marginal improvement in expectations of both changes in unemployment and the pace of inflation. Thus, at the end of Winter 2009, the IECU slipped 2.1pp to 162.5. This could be in part because of the end of the wave of massive layoffs at Ukrainian enterprises and a relative stabilization of the labor market. The IIE inched up 0.2pp to 186.4, which was most likely tied to the continuing instability of the domestic currency.

February 2009 also saw a shift in regional trends among Ukraine's consumers. The CCI continued to fall in only two of the country's six regions: the West and the South. Nevertheless, the largest improvement in the consumer mood, a rise of 15.7pp to 46.2, was actually in Kyiv. In January 2009, the capital had been one of the frontrunners for pessimism. A marginal increase in the CCI was seen in the other regions of Ukraine, including in the East, where consumers were also extremely pessimistic at the beginning of the year.



<i>Dynamic of Consumer Confidence Index in Ukraine</i>			
Month, year	Consumer Confidence Index (CCI)	Index of Current Situation (ICS)	Index of Economic Expectations (IEE)
02'09	42.3	38.8	44.7
01'09	41.8	40.4	42.8
12'08	53.9	56.0	52.6
10'08	69.3	72.6	67.2
08'08	96.0	98.5	94.3
06'08	90.2	88.7	91.3
04'08	88.0	91.8	85.5
02'08	97.9	101.2	95.7
12'07	100.2	101.9	99.0
10'07	95.0	96.6	93.9
08'07	102.7	105.8	100.7
06'07	96.9	102.8	93.0
04'07	92.3	98.8	88.8
02'07	92.2	92.4	92.1
12'06	90.6	95.9	87.1
10'06	91.2	96.6	87.5
09'06	87.5	93.9	83.3
06'06	84.9	92.2	80.0
04'06	97.1	98.4	96.2
02'06	103.7	103.5	103.8
12'05	103.1	105.8	101.3
09'05	95.5	95.5	95.5
06'05	105.2	100.5	108.4
03'05	107.3	92.9	117.0
Sources: GfK Ukraine, International Centre for Policy Studies			

How the indices are calculated

From January 2009 consumer confidence survey is conducted on a monthly basis.

In Ukraine, the Consumer Confidence Index is determined through a random survey of domestic households. The poll involves 1,000 individuals aged 15–59, an age group that represents 61.3% of Ukraine's population and the country's most active consumers. A representative sample is selected by gender and age, also by type and size of settlement. The margin of error is 3.2%.

To define the CCI, respondents are asked these questions:

1. How has the financial standing of your family changed over the last six months?
2. How do you think your family's financial standing will change in the next six months?
3. Looking at economic conditions in the country as a whole, do you think the next 12 months will be good or bad?
4. Looking at the next five years, will they be good ones or bad ones for the country's economy?
5. In terms of large purchases for your home, do you think now is generally a good time or a bad time to make such purchases?

Each of these questions is related to a corresponding index:

- Index of Current Personal Financial Standing (x1);
- Index of Expected Changes in Personal Financial Standing (x2);
- Index of Expected Economic Conditions in the Country Over the Next Year (x3);
- Index of Expected Economic Conditions in the Country Over the Next 5 Years (x4);
- Index of Propensity to Consume (x5).

Indices are constructed thus: the share of negative answers is deducted from the share of positive answers, and 100 is added to this difference in order to eliminate negative values. On the basis of these five indices, three aggregate indices are calculated:

- Consumer Confidence Index (CCI) as the arithmetic average of indices x1–x5;
- Index of the Current Situation (ICS) as the arithmetic average of indices x1 and x5;
- Index of Economic Expectations (IEE) as the arithmetic average of indices x2, x3, and x4.

Index values range from 0 to 200. The index equals 200 when all respondents positively assess the economic situation. It totals 100 when the shares of positive and negative assessments are equal. Indices of less than 100 indicate the prevalence of negative assessments.

To determine the Index of Expected Changes in Unemployment (IECU) and the Index of Inflationary Expectations (IIE), the respondents are asked these two questions:

1. Do you think that within next 12 months the number of unemployed (people who do not have job and are looking for work) will increase, will remain roughly the same, or will decrease?
2. How do you think that prices for major consumer goods and services will change in the next 1–2 months?

The IECU and the IIE are calculated thus: the share of answers that indicate a decrease of unemployment/inflation is subtracted from the share of answers that indicate the growth of unemployment/inflation, and 100 is added to the difference to eliminate negative values. The values of indices can vary from 0 to 200. The index totals 200 when all residents expect an increase in unemployment/inflation.

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The International Centre for Policy Studies is an independent research organisation whose mission is to introduce public policy concepts and procedures in Ukraine. ICPS focuses on key programs of importance for the reform efforts of the Ukrainian government